

# MELTON REAL ESTATE LTD.

AR53



## ANNUAL REPORT 1972





## FINANCIAL HIGHLIGHTS

	1972	1971
Total assets	\$16,839,694	\$11,073,238
Shareholders' equity	4,346,252	3,769,699
Gross income	9,372,678	6,963,785
Net income	840,338	580,547
Earnings per share — undiluted	.41	.29
Cash flow per share	.55	.49

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## CORPORATE INFORMATION

### DIRECTORS

S. L. Melton, F.R.I., S.I.R.  
President, Melton Real Estate Ltd.

W. G. Holmes, C.A.  
Vice President, Treasurer, Melton Real Estate Ltd.

J. R. Sherrin  
Company Secretary, Melton Real Estate Ltd.

S. M. Beckhuson  
Vice President, Trans-Canada Joint Mortgages Corporation Ltd.

G. R. Brosseau, B.A., L.L.B.  
Senior Partner, Brosseau, Maccagno

L. G. Lemieux  
Chairman, Gateway Building Supplies Ltd.

Senator E. C. Manning, P.C., C.C.  
President, M & M Systems Research Ltd.

### EXECUTIVE HEAD OFFICE

MELTON BUILDING  
10310 Jasper Avenue  
Edmonton, Alberta  
424-7221 (403)

### TRANSFER AGENTS & REGISTRAR

Royal Trust Company  
Edmonton, Toronto, Vancouver

### AUDITORS

Willetts, Macmahon & Company

### STOCK LISTED

Toronto Stock Exchange  
Vancouver Stock Exchange



## REPORT TO SHAREHOLDERS

On behalf of the Board of Directors I am pleased to submit the Annual Report on your Company's operations for the year ended December 31, 1972.

1972 was a year of continued growth and expansion. Consolidated net income of the Company for the year was \$840,338, or 41c per share, an increase of 45% over 1971. The cash flow amounted to 55c per share.

Departments within the company were increased from 25 to 33 and personnel employed increased to 353 from 283 the previous year. More detailed information on the activities of the Company will be found throughout the report.

Your Directors have approved for 1973 a plan for increased sales, profits and assets, and are optimistic that the objectives will be achieved.

A dividend of 7c per share payable on June 29, 1973 to all shareholders of record as at June 15, 1973 has been approved by your Directors.

Due to the continued growth of the Company and substantial increase in the number of new shareholders, we would like to outline the basic philosophies on which your company operates, the mission or purpose of the company and how we intend to achieve this mission.

It is the aim of the Directors to have the Company operate in a sound, profitable and ethical manner to insure that the yearly net earnings continually increase, that any investments made are prudent and sound and are properly financed and adequately safeguarded.

Your Directors recognize and believe that our Company has a responsibility to society to do its utmost to improve the quality of life for all the citizens of our country and provide more opportunity for more people to improve their standard of living.

With this in mind your Directors believe that it is essential for the Company to render a useful and worthwhile service, and to see that the Company serves a continually increasing number of people in a competent and satisfactory manner.

In order to obtain this objective your Directors have determined that the useful and worthwhile service that our Company can render is:

1. Provision of all types of shelter from the single family home, apartments and condominium, through to shopping centres, office buildings and accommodation for all types of business and industries. This shelter should be continually increasing in quantity and improving in quality and at the same time meeting the needs of the users on financial terms they can afford.
2. Provision of employment that is not only secure and financially rewarding, but also provides personal satisfaction and happiness for the present and future personnel of the Company,

and that these opportunities are continually increasing through the growth and development of our firm's activities.

We are working towards the attainment of these objectives, and at the present time we have sufficient funds to finance our activities and qualified, dedicated personnel to create and carry out the various activities required.

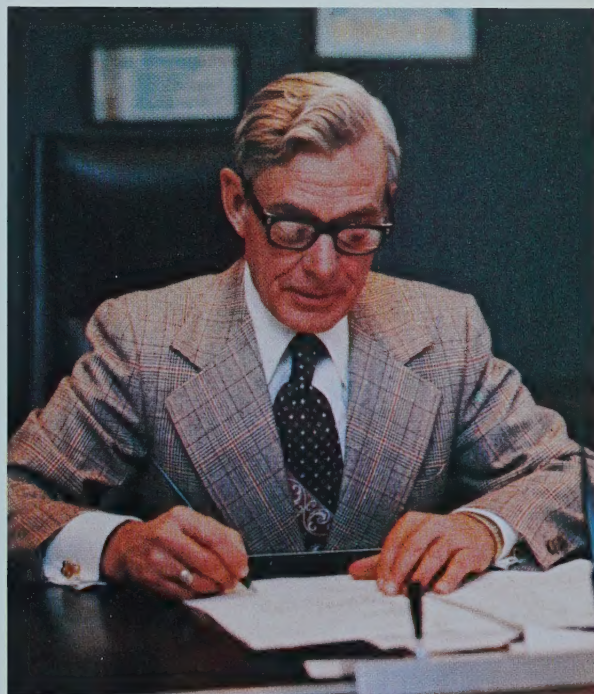
In order to retain our present personnel and attract additional qualified staff we must offer them security and the opportunity for advancement to positions of greater responsibility and remuneration. These opportunities can only be possible through continued growth and expansion. This requires constant effort on forward planning and management development. We have, therefore, been and will continue developing in conjunction with our personnel, a plan of operation on a continuing 5-year basis.

Your Directors are confident that Canada will develop and prosper and that we can assist and promote this development and prosperity through good planning and sound management, and that this will be in the best interests of our country, its people, our clients, shareholders and personnel.

To our shareholders we express our sincere appreciation for their continued confidence and support.

We extend our thanks and appreciation to our personnel for their sincere interest and dedicated efforts on behalf of the Company.

On behalf of the Board of Directors  
S. L. Melton.





## THE COMPANY'S GOLDEN HISTORY

1973 marks the 50th Anniversary of Melton Real Estate.

The original company, Stanley Investments Ltd., was founded by Mr. L. T. Melton, father of the current President, in 1923. The modest Edmonton office was situated on the northeast corner of 101 Street and 102 Avenue, the present location of Woodward's main store.

In keeping with the underlying philosophy of Melton's "to develop a fully integrated real estate operation", the original company underwent a number of amalgamations and changes.

The first step in growth and diversification was in 1932 when Stanley Investments Ltd. discontinued business and L. T. Melton Real Estate Broker began operations specializing in Edmonton westend properties.

In 1947 with S. L. Melton as President, a private company, L. T. Melton Real Estate Ltd. was formed to take over the business of L. T. Melton Real Estate Broker.

In 1955 the Company commenced operations in Calgary.

In 1967 an office was opened in Saskatoon.

In 1968 the present public company, Melton Real Estate Ltd. was formed from an amalgamation of:

Trans Canada Mortgage Corporation (Western) Ltd. and two of its subsidiaries which were engaged in mortgage investments and acted as mortgage brokers and mortgage service agents for individual investors and lending institutions.

The former Melton Real Estate Ltd. and two of its subsidiaries. These companies were engaged in real estate sales, land development and real estate investments.

In February, 1969, Melton Real Estate Ltd.'s shares were listed on the Vancouver Stock Exchange and in June, 1972, its shares were listed on the Toronto Stock Exchange.

In 1971 Melton Real Estate Ltd. purchased all the shares of A. E. Austin Co. Ltd., a well established real estate firm in Vancouver, which has been in business since 1906.

Melton Real Estate Ltd. opened three offices in Winnipeg in early 1973.

1923 office, Stanley Investments.





## DEVELOPMENT AND PERSONNEL GROWTH

Melton's believe in the development of its management, as it is the basic foundation of the Company's existence and tomorrow's growth.

It is the managers who make the day to day decisions that create value and result in a profitable return on shareholders' equity.

In 1973, your Company held two major management development seminars presented by the American Management Association . . . all our managers attended.

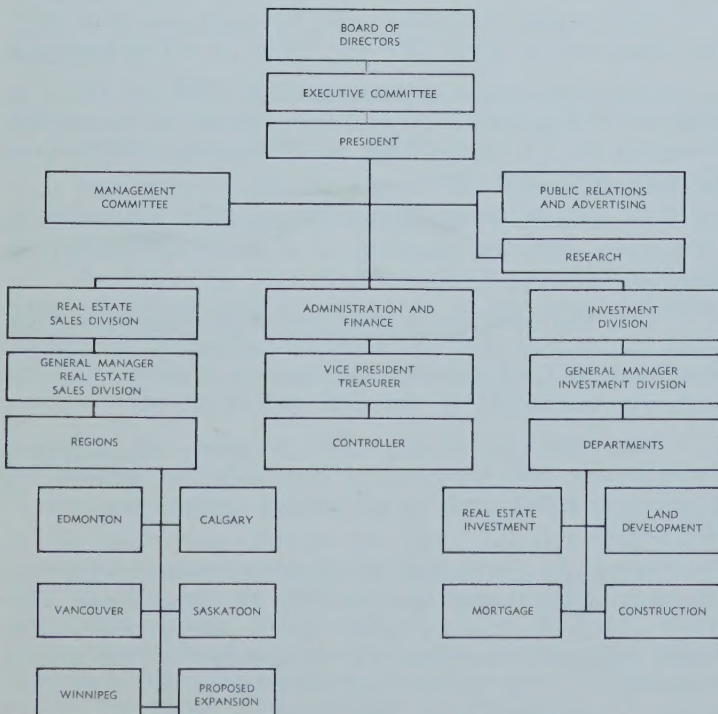
Throughout the year managers attended courses and seminars pertaining to specific departmental responsibilities, giving specialized training in planning, supervision and motivation. The management of Melton Real Estate Ltd. have the experience, education, training and aggressiveness to make it a sound and dynamic growing Company.

Your management has been chosen not just for their professionalism, but also for their ability to be compatible with others, to share ideas and most important, to develop future management within the Company's ranks.

In 1972, sixteen out of seventeen promotions were made from within the Company. This is an achievement we can be proud of.

The depth and aggressiveness of Melton Real Estate Ltd.'s Management assures continued growth and expansion.

### MELTON REAL ESTATE LTD. ORGANIZATION CHART



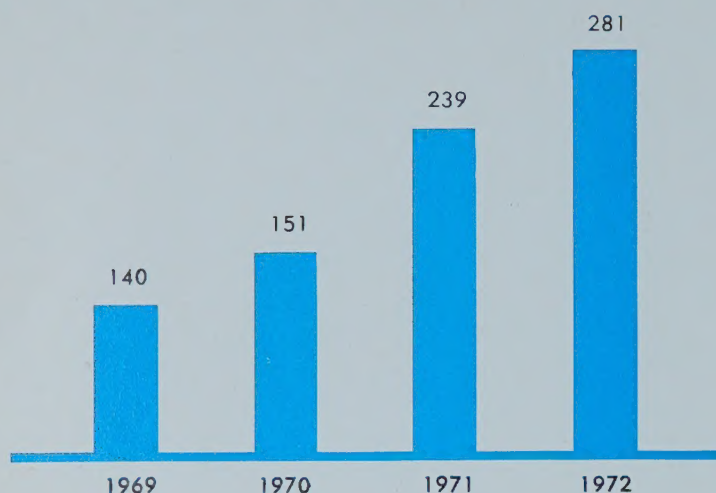
*Management Seminar, Banff, Alberta.*



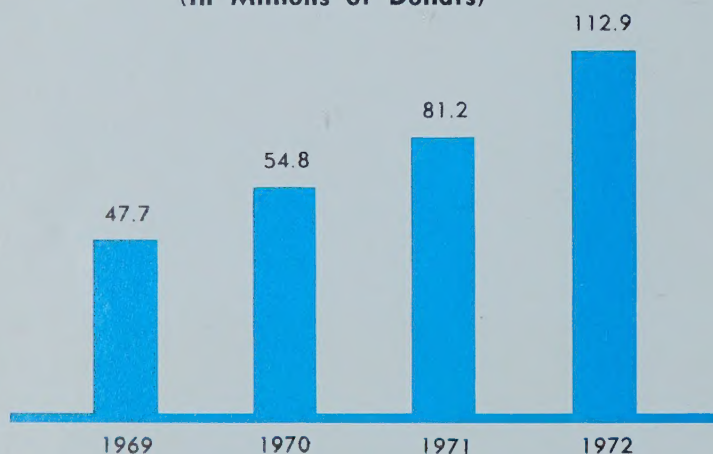


## REAL ESTATE SALES DIVISION

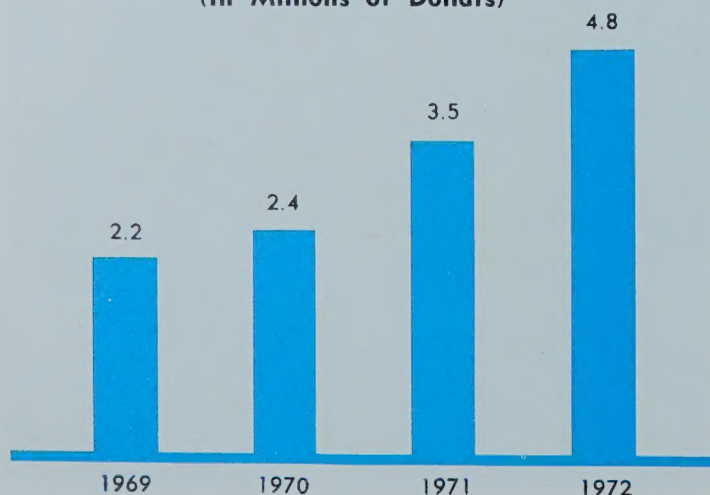
**Number of Personnel**



**Gross Sales By Real Estate Division  
(In Millions of Dollars)**



**Gross Income From Real Estate Division  
(In Millions of Dollars)**



In 1972 the real estate industry experienced an unprecedented demand for real estate of all types as the general public, along with industry, displayed a confident attitude. Overall, sales through the Multiple Listing Services in B.C., Alberta and Saskatchewan showed an increase of 16% over 1971. Melton Real Estate sales for the same period were in excess of \$112 Million, a 39% increase over 1971.

Net income from the Sales Division was \$617,955, as compared to \$442,301 for 1971, a 40% increase.

Sales personnel increased from 239 in 1971 to 281 in 1972, and 3 new sales offices were opened, bringing to 19 the offices in Vancouver, Edmonton, Calgary and Saskatoon.

In January of 1973 we commenced operations in Winnipeg with the opening of a Main Office and 2 Branch Offices.

It is the Company's objective to provide a Canada-wide real estate service. Further expansion is planned for Western Canada and expansion to Eastern Canada is being studied.

We are continuing our program of selective recruitment and training of personnel to ensure the highest possible quality of service being rendered to the public.

Melton's are proud to have pioneered many new services which have been widely accepted, and your firm will in the future continue to design and implement additional services for the benefit of the public, keeping in mind one of our basic principles that anything to be good must be mutually good.



## LAND DEVELOPMENT DEPARTMENT

This Department acquires and develops land for residential, commercial and industrial uses.

The following is a summary of land owned and under option by the Company.

### **EDMONTON (West Jasper Place)**

Your Company has a 25% interest in Lamb Holdings Ltd. which owns land in the west end of Edmonton.

During 1972, 160 acres were developed providing Melton Real Estate with 72 single family lots of which 43 lots were sold. In addition, we received 10 acres of multi-residential sites which are being held for future development and have a 25% interest in a commercial site which is also being held for future development.

Lamb Holdings has approximately 200 acres available for future development.

Planning is underway for the development in 1973 of approximately 70 acres for prime single family residential lots in which we will have a 25% interest.

### **EDMONTON (Riverbend/Terwillegar Heights)**

The Company has an option to purchase  $\frac{1}{3}$  of the residential lots in 550 acres at a price substantially below market value. In our previous report it was anticipated that development would commence in 1972. Unforeseen difficulties which developed prevented this, but we expect to have some lots available in 1973.

### **EDMONTON (Carleton Square)**

This is an industrial subdivision in north west Edmonton in which we have a 37½% interest. All of the subdivided parcels were sold in 1972 and the remaining 66 unsubdivided acres were sold in early 1973.

### **CALGARY**

During 1972 we exercised our option to purchase 600 acres in north west Calgary and have an option to purchase an additional 320 acres.

This area is ideally suited for choice residential development with a panoramic view of the foothills and mountains.

The plan for the first stage of development has been registered and construction of services will commence as soon as weather permits.

There is a strong demand for lots in this area and we plan on selling 250 lots in 1973.

### **KAMLOOPS**

The Company has a 50% interest in 250 acres in the north west area of the city. Tenders have been called for the servicing of the first phase of this project and 150 lots will be available for sale in 1973, and we anticipate selling all of them this year as there is an acute shortage of single family lots in this city. Your Company plans to exercise its option in 1973 to purchase the other 50% interest in this land.

*S. L. Melton and J. McCracken with plans of development, Kelowna, B.C.*





## **FORT ST. JOHN, B.C.**

The Company has a 25% interest in 273 acres close to Fort St. John. This land is being held for resale.

## **TOWN OF SPRUCE GROVE**

The Company owns 478 acres within the Town and has an option to purchase 310 acres immediately adjoining the town's boundary.

During 1972 we sold 262 single family lots, which was the balance of the lots in the Brookwood subdivision.

Planning is well advanced for the development of the next subdivision, Woodhaven. However, development has been delayed until we can conclude a satisfactory agreement with the town.

## **TOWN OF LEDUC**

The Company owns 60 acres within the town and another 160 acres immediately adjoining the town.

During 1972 we sold 180 single family lots in the Corinthia Park Subdivision and have 41 more lots for sale in 1973. In addition, we plan on developing the balance of the land we own in the town which will give us another 150 lots for sale during the year.

## **COUNTY OF STRATHCONA**

The Company has 440 acres under option immediately adjacent to Sherwood Park, a rapidly expanding community 3 miles east of Edmonton. Studies are now being conducted by the Edmonton Regional Planning Commission with respect to the future expansion of Sherwood Park.

## **MORTGAGE DEPARTMENT**

This Department experienced a successful year acting as mortgage brokers and administering the Company's mortgage portfolio.

We expect a decrease in demand during 1973 for our services as mortgage brokers due to the increased availability of mortgage money. We therefore plan to direct our efforts in 1973 to a more active role in placing mortgages for our own portfolio and for resale to investors.

## **CONSTRUCTION DEPARTMENT**

In late 1971 your Company started a new home construction department operating as Melton Homes Ltd.

During 1972, 22 units were constructed in Calgary for sale to others.

We intend to increase the activity of this Department and plan in 1973 to construct a minimum of 100 homes in the Calgary and Edmonton areas.

*S. L. Melton and P. J. Dailey inspecting construction of Melton Building addition.*





This Department is responsible for the acquisition and development of revenue producing real estate.

The following summarizes some of the projects undertaken during 1972:

**Grove Plaza Shopping Centre** — Construction of this 25,000 square foot shopping centre in the Town of Spruce Grove was undertaken during the spring and completed in late 1972. This \$650,000 project was 80% occupied at the end of December.

Preparatory work was started on a 15,000 square foot addition to the shopping centre with start of construction planned for early 1973. Upon completion, the expanded 40,000 square foot shopping centre will be the focus of business activity in the rapidly expanding Town of Spruce Grove.

**Duggan Court** — In June of 1972, agreement was reached to purchase Duggan Court, a 282 suite apartment complex under construction in the southwest section of Edmonton, at a cost of \$4.2 million. Possession of Duggan Court is expected in June or July of 1973.

**Brookwood Manor** — In late 1972, construction commenced on the first phase of a 76 unit apartment complex in the Town of Spruce Grove. The first phase of construction of this \$700,000 complex will comprise 24 units and completion is scheduled for April of 1973.

**Melton Building Expansion** — Construction was started in December, 1972, on an additional 7-storeys to the Melton Building in Edmonton. This expansion will provide an additional 85,700 square feet of prime office space. Occupancy is targeted for August, 1973.

During 1972, a number of additional sites were acquired for future development for Residential and Commercial purposes.

The following summarizes the Department's investment portfolio including projects under development, but excluding land holdings awaiting development:

#### RESIDENTIAL

Completed	Location	No. of Suites
Sherbrooke Court	Edmonton	14
Villa Rica	Edmonton	15
10 Arlington	Spruce Grove	10
Swan Hills Apt.	Swan Hills	12
Hillington Court	Edmonton	102
<b>Under Construction</b>		
Duggan Court	Edmonton	282
Brookwood Manor	Spruce Grove	24
Total Suites		<u>459</u>

#### OFFICE AND RETAIL

Completed	Location	No. of Sq. Ft.
Melton Building	Edmonton	31,042
Melton Building*	Calgary	18,425
Atlantic Richfield	Edmonton	7,011
Dominion Building	Edmonton	9,546
Grove Plaza Shopping Centre	Spruce Grove	25,384
<b>Under Construction</b>		
Grove Plaza Expansion	Spruce Grove	15,000
Melton Building Expansion	Edmonton	85,700
Total Commercial Area		<u>192,108</u>

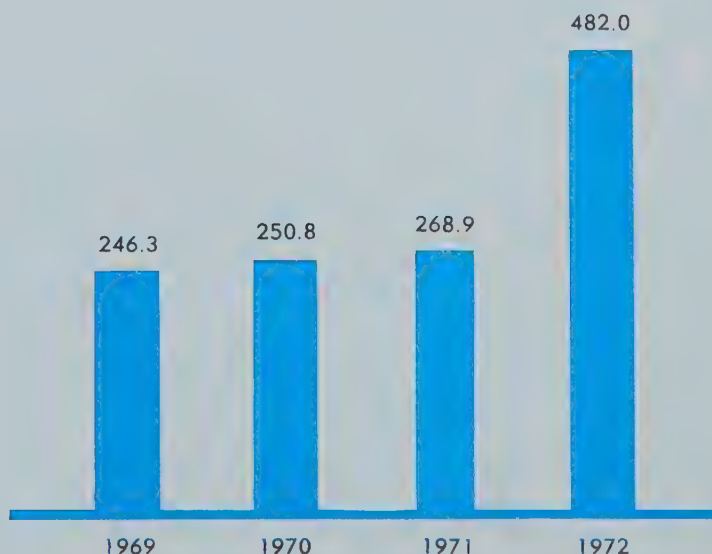
\*26% interest held by the Company

## REAL ESTATE INVESTMENT DEPARTMENT

Investment In Rental Properties (At Cost)  
(In Millions of Dollars)



Gross Income From Rental Properties  
(In Thousands of Dollars)





**MELTON REAL ESTATE LTD. AND SUBSIDIARY COMPANIES**

**CONSOLIDATED BALANCE SHEET**

**December 31, 1972** (with comparative figures for 1971)

<b>ASSETS</b>	<b>1972</b>	<b>1971</b>
Cash	\$ 234,616	\$ —
Commissions and Sundry Receivables	738,199	573,613
Agreements Receivable on Real Estate Sales	2,189,097	1,924,983
Mortgages Receivable	700,626	920,254
Investments in Joint Ventures and Partnerships — Note 3	59,194	232,396
Real Estate for Development and Resale — Note 4	7,614,871	2,752,116
Real Estate Investments — Note 5	4,980,929	4,253,600
Fixed Assets, at cost less accumulated depreciation of \$166,213 (1971 — \$137,442)	199,267	133,148
Deferred Costs, Prepaid Expenses and Sundry Assets	53,099	31,827
Goodwill — Note 6	69,796	251,301
	<u>\$16,839,694</u>	<u>\$11,073,238</u>

On Behalf of the Board:

S. L. Melton, Director

W. G. Holmes, Director



<b>LIABILITIES AND EQUITY</b>	<b>1972</b>	<b>1971</b>
Bank Advances	\$ —	\$ 380,115
Accounts Payable	<b>688,239</b>	530,796
Provision for Real Estate Development Costs	<b>736,196</b>	1,329,368
Income Taxes Payable	<b>403,295</b>	39,888
Agreements Payable on Real Estate for Development and Resale — Note 7	<b>5,858,496</b>	428,752
Mortgages and Agreements Payable on Real Estate Investments — Note 8	<b>2,808,198</b>	2,858,880
Debentures — Note 9	<b>1,111,500</b>	1,111,500
Deferred Income Taxes — Note 10	<b>887,518</b>	624,240
	<b>12,493,442</b>	7,303,539
Share Capital — Note 11	<b>1,587,033</b>	1,579,623
Retained Earnings — Note 12	<b>2,759,219</b>	2,190,076
	<b>\$16,839,694</b>	<b>\$11,073,238</b>

Commitments and Contingent Liabilities — Note 15

## **AUDITORS' REPORT**

### **To the Shareholders of Melton Real Estate Ltd.**

We have examined the consolidated balance sheet of Melton Real Estate Ltd. and its subsidiaries as at December 31, 1972 and the consolidated statements of income, retained earnings and source and use of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and use of their cash for the year then ended, in accordance with generally accepted accounting principles applied, after giving retroactive effect to the changes in application of accounting principles and the effect of these changes as described in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

EDMONTON, Alberta,  
March 1, 1973.

Willetts, Macmahon & Company  
Chartered Accountants.

**MELTON REAL ESTATE LTD. AND SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF INCOME**

**For the year ended December 31, 1972** (with comparative figures for 1971)

	<b>1972</b>	<b>1971</b>
Income		
Gross revenue from commissions and fees	<b>\$ 4,818,623</b>	\$ 3,466,618
Real estate sales	<b>3,541,187</b>	2,800,091
Rental property income	<b>482,048</b>	268,918
Net income from joint ventures	<b>139,500</b>	129,470
Interest on agreements receivable	<b>182,560</b>	94,195
Mortgage interest and discounts	<b>116,598</b>	112,468
Other income	<b>92,162</b>	92,025
	<b><u>9,372,678</u></b>	<b><u>6,963,785</u></b>
Expenses		
Commissions	<b>2,926,363</b>	2,089,509
Cost of real estate sales	<b>2,528,590</b>	2,178,372
Rental property operating expenses	<b>243,974</b>	101,561
Depreciation	<b>82,782</b>	28,576
Interest	<b>348,951</b>	160,399
Operating and administrative	<b>1,637,605</b>	1,226,598
Loss on investments	<b>—</b>	56,224
	<b><u>7,768,265</u></b>	<b><u>5,841,239</u></b>
Income before income taxes	<b><u>1,604,413</u></b>	<b><u>1,122,546</u></b>
Income taxes — Note 10		
Current	<b>500,797</b>	171,949
Deferred	<b>263,278</b>	370,050
	<b><u>764,075</u></b>	<b><u>541,999</u></b>
Net income for the year — Notes 2 and 14	<b>\$ <u>840,338</u></b>	<b>\$ <u>580,547</u></b>



# MELTON REAL ESTATE LTD. AND SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended December 31, 1972 (with comparative figures for 1971)

	1972	1971
Balance, beginning of year		
As previously reported	\$ 2,079,800	\$ 1,664,658
Adjustments of prior years' income arising from retroactive changes in the application of accounting principles, less related income taxes — Note 2	110,276	46,621
As restated	2,190,076	1,711,279
Net income for the year	840,338	580,547
	<u>3,030,414</u>	<u>2,291,826</u>
Deduct:		
Dividends	122,190	101,750
Goodwill written off — Note 6	149,005	—
	<u>271,195</u>	<u>101,750</u>
Balance, end of year	\$ <u>2,759,219</u>	\$ <u>2,190,076</u>

## CONSOLIDATED STATEMENT OF SOURCE AND USE OF CASH

For the year ended December 31, 1972

Source of Cash	
Operations	\$ 1,129,764
Payments received on and net dispositions of mortgages receivable	264,342
Reduction in investment in joint ventures and partnerships — net	173,202
Proceeds from agreements payable on real estate for development and resale — net of payments	5,429,744
Share capital issued — warrants exercised	7,410
	<u>7,004,462</u>
Use of Cash	
Increase in commissions and sundry receivables	161,319
Increase in agreements receivable on real estate sales	264,114
Increase in real estate for development and resale — net of sales	4,850,255
Additions to real estate investments	770,682
Additions to fixed assets	105,548
Reduction in mortgages and agreements payable on real estate investments — net of proceeds from refinancing	50,682
Dividends	122,190
Other — net	64,941
	<u>6,389,731</u>
Excess of source of cash over use of cash represented by decrease in bank advances and increase in cash	\$ <u>614,731</u>

**MELTON REAL ESTATE LTD.  
AND SUBSIDIARY COMPANIES**

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**NOTES TO CONSOLIDATED  
FINANCIAL STATEMENTS  
DECEMBER 31, 1972**

**1. Accounting Policies and Principles of Consolidation**

- (a) The company and its subsidiaries follow accounting principles recommended by the Canadian Institute of Chartered Accountants' Research study on Accounting for Real Estate Development Operations.
- (b) The consolidated statements include all subsidiaries. Joint ventures and partnerships are recorded on the equity basis.
- (c) The companies recognize profits on sale of real estate when 15% of the sale price has been received in cash and the sale is unconditional.
- (d) The companies capitalize all direct carrying costs on real estate held for development and resale until sold. On real estate investment properties the companies capitalize (i) all direct carrying costs until 75% level of occupancy is achieved and (ii) leasing costs until fully rented, subject to maximum period of capitalization of one year after physical completion.
- (e) Real estate investment properties are depreciated using a 5% sinking fund method based on an estimated useful life of fifty years for concrete buildings and thirty-five years for frame buildings. Other assets are depreciated using either the declining balance method or the straight-line method depending on the type of asset and its estimated useful life.
- (f) Comparative figures have been reclassified where applicable to conform with the current year's presentation. In addition certain 1971 figures have been restated to reflect the changes in accounting policy in 1972 referred to in Note 2.

**2. Changes in the Application of  
Accounting Principles**

In 1972 the company changed its accounting policies for:

- (a) Depreciation of real estate investment properties.

Prior to 1972 the company had depreciated its buildings on a straight line basis over the estimated useful life (30 to 50 years). In 1972 the company changed its policy to depreciate these assets on a 5% sinking fund method over fifty years for concrete buildings and thirty-five years for frame buildings.

- (b) Recognition of commission income.

The company policy prior to 1972 was to recognize commission income only when the full commission had been received. Management is now of the opinion that the companies' income would be more accurately stated by recognizing commissions receivable as revenue, subject to a reasonable reserve for doubtful collections and services to be performed.

- (c) Joint ventures and partnerships.

Joint ventures and partnerships in which the company had less than a 50% interest had been accounted for on a cost basis prior to 1972. Company policy is now to record these joint ventures and partnerships on an equity basis.

- (d) Consolidation of subsidiary companies.

In 1971 and previous years the company's investment in a wholly owned subsidiary was carried at cost because the subsidiary had no material assets or liabilities other than trust funds and because the company did not expect to realize any material profits or losses from the subsidiary. The company policy now is to consolidate all subsidiary companies.



The effect of these changes in accounting policies has been reflected in the statements on a retroactive basis. The net effect of each change on retained earnings is as follows:

	Total	1971	1970 & Prior
Depreciation of real estate investment properties			
Adjustment	\$ 91,831	\$ 20,575	\$ 71,256
Related taxes — deferred	(43,619)	(9,773)	(33,846)
	<u>48,212</u>	<u>10,802</u>	<u>37,410</u>
Recognition of commission income			
Adjustment	87,731	29,604	58,127
Related taxes — current	(44,498)	(15,035)	(29,463)
— deferred	2,826	973	1,853
	<u>46,059</u>	<u>15,542</u>	<u>30,517</u>
Joint ventures and partnerships			
Adjustment	7,732	(11,012)	18,744
Consolidation of subsidiary company			
Adjustment	8,273	48,323	(40,050)
	<u>\$ 110,276</u>	<u>\$ 63,655</u>	<u>\$ 46,621</u>

If these changes in accounting policies had not been made 1972 income after taxes would have been \$74,908 less than reported.

### 3. Investments in Joint Ventures and Partnerships

The company's interest in joint ventures and partnerships is accounted for on the equity basis. The company's proportionate share of the assets and liabilities of these joint ventures and partnerships is as follows:

ASSETS	1972
Cash	\$ 22,941
Agreements receivable on real estate sales	129,319
Real estate for development and resale — at cost	472,019
Real estate investments	49,255
	<u>\$ 673,534</u>
LIABILITIES AND EQUITY	
Accounts payable	\$ 2,821
Income taxes payable	2,237
Provision for real estate development costs	598,781
Mortgages payable	10,501
Equity	59,194
	<u>\$ 673,534</u>

### 4. Real Estate for Development and Resale

	1972	1971
Land under development and held for future development		
Land — at cost	\$ 6,488,732	\$ 876,041
Carrying costs — property taxes and interest	163,752	108,476
Development costs	537,801	1,451,886
	<u>7,190,285</u>	<u>2,436,403</u>
Developed real estate for resale — at cost	424,586	315,713
	<u>\$ 7,614,871</u>	<u>\$ 2,752,116</u>

### 5. Real Estate Investments — at cost less accumulated depreciation

	1972	1971
Rental Properties		
Land	\$ 620,692	\$ 626,692
Buildings and equipment	3,357,657	3,362,804
	<u>3,978,349</u>	<u>3,989,496</u>
Accumulated depreciation	83,108	40,288
	<u>3,895,241</u>	<u>3,949,208</u>
Construction in Progress		
Land	180,131	
Construction costs	738,149	
	<u>918,280</u>	
Land Held for Future Development	167,408	304,392
	<u>\$ 4,980,929</u>	<u>\$ 4,253,600</u>

### 6. Goodwill

Goodwill has been reduced by (a) the forgiveness of a note payable of \$32,500 which originated from the purchase of the goodwill, (b) a write-off against retained earnings of \$149,005 which was the balance of the goodwill purchased.

The remaining \$69,796 is the excess of the cost of the company's investment in a consolidated subsidiary over the book value of the subsidiary's assets at the time of purchase.

### 7. Agreements Payable on Real Estate for Development and Resale

Principal payments due within five years are as follows:

1973	\$ 577,100
1974	327,213
1975	519,601
1976	319,547
1977	284,455
Subsequent	3,830,580
	<u>\$ 5,858,496</u>

### 8. Mortgages and Agreements Payable on Real Estate Investments

Principal payments due within five years are as follows:

1973	\$ 99,850
1974	67,987
1975	505,776
1976	48,765
1977	52,039
Subsequent	2,033,781
	<u>\$ 2,808,198</u>

The average annual interest rate on these mortgages and agreements is 8.7%.

### 9. Debentures

The Series A debentures are secured by a deed of trust and mortgage containing a first floating charge on the undertaking and all the property and assets of the company. The principal of each debenture will mature 25% on July 31 in each of the years 1973 to 1976 inclusive.

The Series A debentures are redeemable prior to maturity in whole or in part at the following percentage of the principal amount plus accrued interest to the date of final redemption, if redeemed in the twelve months ending July 31 in each of the following years:

1973	103%
1974	102%
1975	101%

Melton Real Estate Ltd. has the right to purchase Series A debentures in the market or by private contract at prices not exceeding the above percentage of the principal amount plus accrued interest and cost of purchase.

Each \$500 debenture carried a share purchase warrant for 300 common shares. Bearers of the warrants may purchase common shares of the company as follows:

\$1.30 to August 31, 1973
1.50 to August 31, 1974
1.75 to August 31, 1975
2.00 to August 31, 1976

## 10. Deferred Income Taxes

On a cumulative basis income taxes payable have been reduced by \$887,518 by deferring profits on sale of real estate and by claiming expenses for tax purposes, such as depreciation and carrying costs of real estate in excess of amounts recorded in the accounts. This reduction is applicable to those future years in which these amounts already claimed for tax purposes will be charged against income and accordingly is included in the balance sheet as "Deferred Income Taxes".

## 11. Share Capital

Authorized:

3,000,000 shares  
of no par value

Issued:	Shares	Consideration
December 31, 1971	2,035,303	\$ 1,579,623
Warrants converted	<u>5,700</u>	<u>7,410</u>
December 31, 1972	<u>2,041,003</u>	<u>\$ 1,587,033</u>

Reserved:

For share purchase warrants (see Note 9)	666,600
For employee stock purchases	<u>100,000</u>
	<u>766,600</u>

During 1972 agreements with employees were approved which provided for the purchase by employees of 84,000 shares over the next five years provided certain conditions are met. The consideration for these shares will be the market value of the shares at the time the agreements were approved.

## 12. Dividend Restrictions

The indenture under which the 10% Series A debentures were issued provides that so long as any debentures are outstanding, the company will not pay any dividends which would have the effect of reducing consolidated retained earnings of the company and its subsidiaries below \$1,438,901.

## 13. Remuneration of Directors and Officers

	1972	1971
Directors' fees	\$ 10,805	\$ 5,750
Salaries and commissions	<u>93,720</u>	<u>98,271</u>
	<u>\$ 104,525</u>	<u>\$ 104,021</u>

## 14. Earnings Per Share

	1972	1971 Restated (Note 2)
Basic earnings per share	41c	29c
Fully diluted earnings per share	33c	24c

Basic earnings per share have been calculated using the weighted monthly average number of shares outstanding.

Fully-diluted earnings per share have been calculated assuming that all warrants outstanding had been exercised at the beginning of the year and the funds received invested at an annual return of 10% before income taxes.

## 15. Commitments and Contingent Liabilities

The company has entered into an agreement to purchase a 282 unit apartment project at a total cost of \$4,120,638 which will be paid by cash and assumption of a mortgage of \$3,415,638. The transaction will be completed during 1973.

The company is contingently liable for liabilities of joint ventures and partnerships in the amount of \$2,390,268. However, the total assets of the joint ventures and partnerships are sufficient for satisfaction of these liabilities.

## 16. Trust Funds

The company has under its administration trust assets totalling \$6,317,968 (1971 — \$7,835,569) which are not reflected in the financial statements.

## 17. Contingent Asset

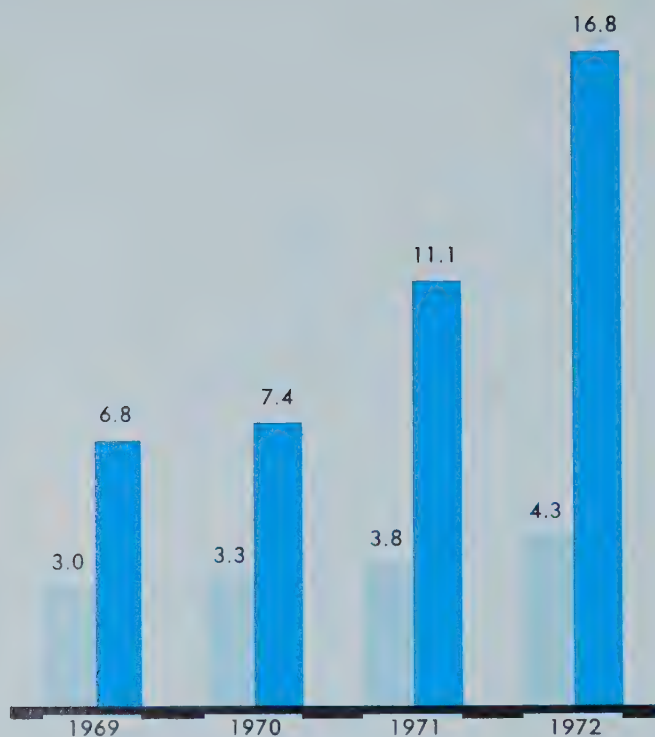
The company has a contingent asset arising from agreements which give the company the right to purchase certain lots, to be derived from the future subdivision of 550 acres of land in the City of Edmonton, at a fixed price substantially lower than the present market value.



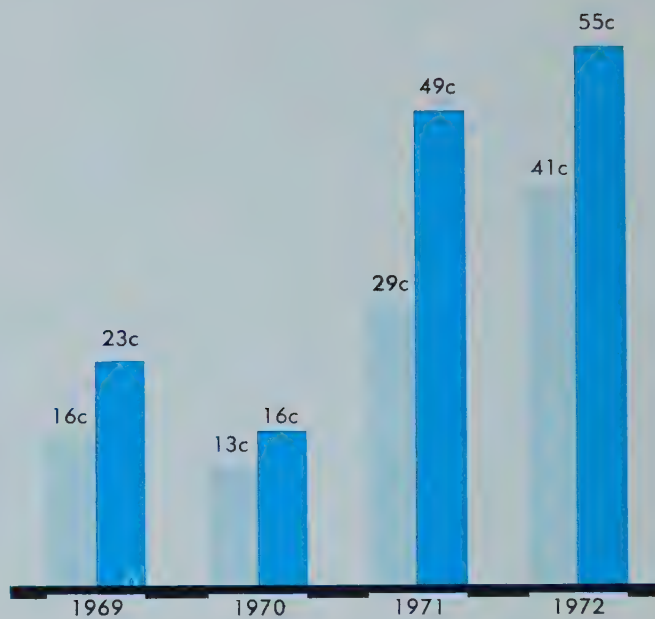
## FOUR YEAR REVIEW

	1972	1971	1970	1969
Commissions and sundry receivables	\$ 738	\$ 574	\$ 355	\$ 388
Agreements receivable	2,189	1,925	271	507
Mortgages receivable	700	920	1,403	1,454
Real estate for development and resale	7,615	2,752	1,799	2,024
Real estate investments	4,981	4,254	2,973	1,785
Other assets	617	648	596	656
	<u>16,840</u>	<u>11,073</u>	<u>7,397</u>	<u>6,814</u>
Agreements payable — real estate for development and resale	5,859	428	577	654
Mortgages payable — real estate investments	2,808	2,859	1,675	1,186
Debentures	1,112	1,112	600	—
Other liabilities	1,827	2,280	1,002	1,778
Deferred income taxes	888	624	255	176
Share capital	1,587	1,580	1,577	1,577
Retained earnings	2,759	2,190	1,711	1,443
	<u>16,840</u>	<u>11,073</u>	<u>7,397</u>	<u>6,814</u>
Gross revenue from commissions and fees	4,819	3,467	2,367	2,228
Real estate sales	3,541	2,800	623	853
Rental property income	482	269	251	246
Interest on agreements receivable	183	94	52	7
Mortgage interest and discounts	117	112	130	182
Other income	231	222	155	247
	<u>9,373</u>	<u>6,964</u>	<u>3,578</u>	<u>3,763</u>
Commissions	2,926	2,089	1,430	1,392
Cost of real estate sales	2,529	2,178	505	676
Rental property operating expense	244	102	84	102
Depreciation	83	29	21	22
Interest	349	160	133	134
Administrative and other expense	1,638	1,283	900	817
	<u>7,769</u>	<u>5,841</u>	<u>3,073</u>	<u>3,143</u>
	<u>1,604</u>	<u>1,123</u>	<u>505</u>	<u>620</u>
Income taxes	764	542	236	298
Net income	<u>840</u>	<u>581</u>	<u>269</u>	<u>322</u>
Shares issued — end of year (000's)	2,041	2,036	2,034	2,034
Earnings per share	\$ .41	\$ .29	\$ .13	\$ .16
Cash flow per share	\$ .55	\$ .49	\$ .16	\$ .23
Dividends per share	\$ .06	\$ .05	\$ .—	\$ .05

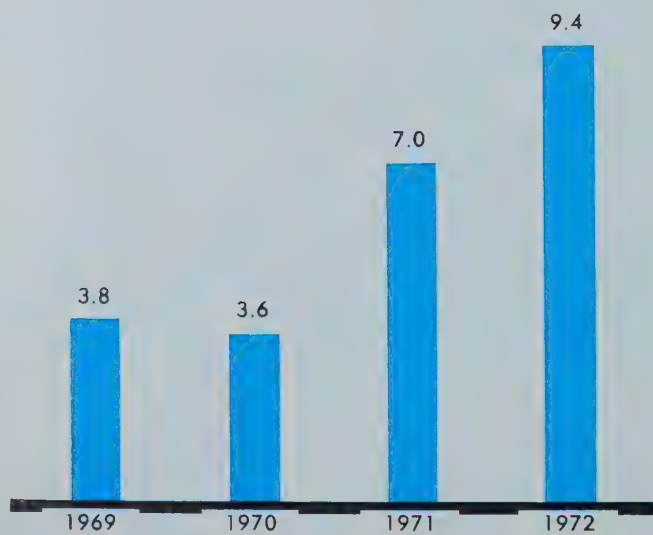
Data in thousands of dollars except where otherwise indicated.  
 Figures for years prior to 1972 have been restated to reflect accounting policies adopted in 1972.



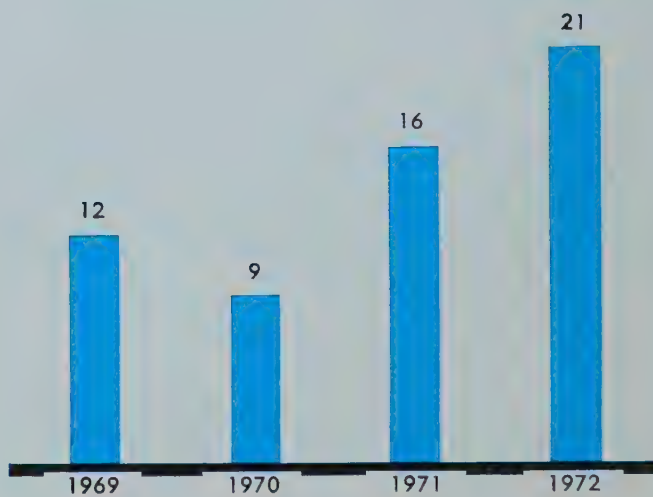
**SHAREHOLDER'S EQUITY**  
**ASSETS**  
 Millions of Dollars



**EARNINGS PER SHARE**  
**CASH FLOW PER SHARE**



**GROSS INCOME**  
 Millions of Dollars



**RETURN ON EQUITY**  
 Net Income expressed as a %  
 of average shareholder's equity.



## MANAGEMENT

### President

S. L. Melton, F.R.I., S.I.R.

### Vice President, Treasurer

W. G. Holmes, C.A.

### Secretary

J. R. Sherrin

### General Manager Real Estate Sales Division

W. G. Bennett, F.R.I.

### General Manager Investment Division

P. J. Dailey, B. Comm., M.B.A.

### Controller

J. Sheard, C.A.

### Advertising & Public Relations

D. L. Hauck, R.T.A.

### Research

H. C. Reynolds, B.S.B.A.

### General Manager Land Department

J. McCracken

### Land Department — Edmonton

D. Kelly, P.Eng.

### Land Department — Calgary

R. Young, P.Eng.

### Real Estate Investment Department

C. Moroschan, B.A., B. Comm.

### Construction Department

T. Smith

### Mortgage Department

D. Holthuysen

## REAL ESTATE SALES DIVISION

### EDMONTON

General Sales Manager

H. G. Dundas, 10310 Jasper Ave., 424-7221

New Home Sales

D. Garrison, 10310 Jasper Ave., 424-7221

Jasper Place

K. Shearer, 15512 Stony Plain Road, 489-2551

Glenora

B. Atkins, 12418 - 102 Ave., 488-0121

North West

G. MacTaggart, 13160 - 118 Ave., 455-9191

Norwood

L. Hauca, 8308 - 118 Ave., 479-3231

Northeast

S. Dudar, 8281 - 144 Ave., 478-3466

Southeast

T. Henderson, 9006 - 75 St., 466-1147

Southwest

D. Clark, 10320 82 Ave., 439-3995

St. Albert

P. Connor, 139 Sturgeon Plaza, 459-5595

Commercial & Industrial

P. Turner, 10310 Jasper Ave., 424-7221

Property Management

A. Connelly, 10310 Jasper Ave., 424-7221

Leasing

J. Rose, 10310 Jasper Ave., 424-7221

Appraisal

J. MacNaught, 10310 Jasper Ave., 424-7221

### CALGARY

General Sales Manager

T. C. Melton, 534 - 8th Ave. S.W., 266-8671

Northwest

D. Danilowich,  
14 Stadium Shopping Centre, 289-8406

North Hill

G. Phelps, 4 - 1818 Centre St. North, 276-2281

South West

T. Heisler,  
37 St. & Richmond Road S.W., 249-2551

Macleod Trail

B. Reid, 8820 Macleod Trail S.W., 252-1181

17 Avenue

E. DeChamplain, 320 - 17 Ave. S.W., 264-2144

Commercial & Industrial

C. Warren, 534 - 8th Ave. S.W., 266-8671

Property Management

P. De Foras, 534 - 8th Ave. S.W., 263-8671

### SASKATOON

General Sales Manager

M. D. Damberger,  
119 - 23 Street East, 653-3636

### VANCOUVER

General Sales Manager

W. T. Mooney, 1435 Kingsway, 879-7571

Kingsway "A"

B. Merrin,  
1436 Kingsway, Vancouver 12, 879-7571

North Vancouver

G. Goldman, 1348 Marine Drive, 985-9544

Kingsway "B"

Wm. Nelson,  
1435 Kingsway, Vancouver 12, 879-7571

Surrey

B. Edmonson, 13478 - 104 Ave., 588-7441

Coquitlam

B. Hutchinson, 1054B Austin Road, 939-4431

### WINNIPEG

General Sales Manager

Ian McKinnon,  
202 - #6 Donald Street, 453-6148

Portage Avenue

G. Cooper, 2628 Portage Avenue, 889-0914

River Heights

G. Clark, 1683 Corydon Avenue, 284-9500

Commercial & Industrial

M. Maclean, 202 - #6 Donald Street, 453-6148







EDMONTON • CALGARY • VANCOUVER • SASKATOON • WINNIPEG



**MELTON REAL ESTATE LTD.**

**and SUBSIDIARY COMPANIES**

**CONSOLIDATED STATEMENT OF  
SOURCE AND USE OF CASH**

**For the Six Months Ended June 30, 1972**

(Unaudited)

Source of Cash		
Operations		
Net income for the period	\$	395,853
Add items not requiring a current use of cash		
Deferred income taxes		115,000
Depreciation		59,635
Other		(32,140)
		<u>538,348</u>
Reduction of mortgages receivable, net		219,488
Decrease in real estate held for resale less provision for development costs		483,071
Proceeds from agreements payable		522,740
Proceeds from mortgages payable		78,750
Net increase in other liabilities		348,687
Issue of shares - exercise of warrants		1,560
		<u>2,192,644</u>
Use of Cash		
Increase in accounts receivable		205,606
Increase in investments		146,202
Additions to rental properties and other fixed assets, net		517,617
Payments on agreements		213,411
Payments on mortgages		14,762
Dividend		122,191
Net increase in other assets		42,555
		<u>1,262,344</u>
Increase in Cash	\$	<u><u>930,300</u></u>

**CONSOLIDATED STATEMENT OF  
RETAINED EARNINGS**

**For the Six Months Ended June 30, 1972**

(With Comparative Figures for 1971)

(Unaudited)

	<u>1972</u>	<u>1971</u>
Balance, beginning of period	\$2,079,800	\$1,664,658
Add net income for the period	<u>395,853</u>	<u>181,038</u>
	2,475,653	1,845,696
Deduct dividend	<u>122,191</u>	<u>101,750</u>
Balance, end of period	<u><u>\$2,353,462</u></u>	<u><u>\$1,743,946</u></u>

# AR53

**OFFICERS AND DIRECTORS**

S. L. MELTON, F.R.I., S.I.R.  
President, Melton Real Estate Ltd.

J. R. SHERRIN  
Vice President, Melton Real Estate Ltd.

W. G. HOLMES, C.A.  
Secretary-Treasurer, Melton Real Estate Ltd.

S. M. BECKHUSON  
Vice-President, Trans Canada Joint Mortgages Corporation Ltd.

G. R. BROSSAU, B.A., LL.B.  
Senior Partner, Brosseau, Maccagno

L. G. LEMIEUX  
President, Gateway Building Supplies

SENATOR E. C. MANNING, P.C., C.C.  
President, M & M Systems Research Ltd.

**OFFICES**

**EDMONTON**

10310 Jasper Avenue

Phone: 424-7221

**CALGARY**

534 — 8th Avenue S.W.

Phone: 266-8671

**SASKATOON**

119 - 23 Street East

Phone: 653-3636

**VANCOUVER**

A. E. Austin & Co. Ltd.

1435 Kingsway

Phone: 879-7571



**REPORT TO SHAREHOLDERS  
for the 6 months ended  
June 30th, 1972**

## REPORT TO SHAREHOLDERS

Your directors are pleased to report to you on the Company's operations for the first six months of 1972.

### Earnings

After providing for current and deferred income taxes net income amounted to \$395,853 or 19.4¢ per share, which is 118% greater than the net income of \$181,038 or 8.9¢ per share for the first six months of 1971.

Cash flow amounted to 26.4¢ per share as compared with 15.5¢ per share for the first six months of 1971.

### Real Estate Sales

Sales of real estate for others for the first six months of 1972 were in excess of Fifty-five Million Dollars, an increase of 34% over the corresponding period of 1971. All branches showed an increase over the first six months of 1971. Continued expansion of the real estate sales division is planned.

### Land Development

Sale of lots in the subdivisions we are developing has been better than anticipated, and we are subdividing and servicing additional lots to be available for sale before the end of the year.

Your Company is making progress in the economic study and planning with respect to the future development of other lands owned and under option.

### Income Producing Real Estate

We have entered into an Agreement to purchase a Four Million Dollar apartment complex in South West Edmonton subject to satisfactory completion. This asset will not be reflected in our Financial Statements until possession date in 1973.

Construction of the Spruce Grove Shopping Centre is progressing on schedule and it will be opened this fall.

A continuing program of analysis and negotiations is being carried on with respect to acquisition of additional income producing properties.

### Forecast for Balance of 1972 and for 1973

We expect that the earnings for the last six months of 1972 will approximate those of the first six months. We believe that 1973 will be another record year for our Company, and anticipate an increase in real estate sales, a continuing demand for residential lots and further investments in income producing real estate.

### General

In June of this year shares of Melton Real Estate Ltd. were listed on the Toronto Stock Exchange.

Your Directors feel that the market value for tax purposes of Melton shares (\$1.60) and warrants (40¢) on valuation day did not properly reflect the fair value of the shares and warrants. On behalf of the shareholders we have instructed our Auditors to apply for a fair valuation of the shares and warrants which could be considerably in excess of that reflected by the market on December 21st, 1971. We will advise you later as to the results of this application.

Yours very truly,



S. L. Melton  
On behalf of the Board of Directors

## MELTON REAL ESTATE LTD.

### and SUBSIDIARY COMPANIES

## CONSOLIDATED STATEMENT OF INCOME

For the Six Months Ended June 30, 1972

(With Comparative Figures for 1971)

(Unaudited)

	<u>1972</u>	<u>1971</u>
Income		
Gross revenue from commissions and fees	\$2,184,349	\$1,412,301
Profit on sale of real estate	640,593	286,899
Rental property income	213,841	125,938
Interest on mortgages and agreements	175,532	65,010
	<u>3,214,315</u>	<u>1,890,148</u>
Expenses		
Operating expenses	2,054,966	1,350,445
Rental property operating expenses	120,371	48,025
Interest	183,490	62,361
Depreciation	59,635	20,695
Loss on investment		31,800
	<u>2,418,462</u>	<u>1,513,326</u>
Income Before Income Taxes	<u>795,853</u>	<u>376,822</u>
Provision for Income Taxes		
Current	285,000	134,003
Deferred	115,000	61,781
	<u>400,000</u>	<u>195,784</u>
Net Income	<u>\$ 395,853</u>	<u>\$ 181,038</u>
Earnings per Share	19.4¢	8.9¢
Cash Flow per Share	26.4¢	15.5¢

## MELTON REAL ESTATE LTD.

### and SUBSIDIARY COMPANIES

## CONSOLIDATED BALANCE SHEET

JUNE 30, 1972

(With Comparative Figures at June 30, 1971)

(Unaudited)

	<u>1972</u>	<u>1971</u>
ASSETS		
Cash	\$ 549,698	\$ 35,349
Accounts Receivable	2,289,677	1,108,097
Real Estate Held for Resale	2,997,972	2,335,739
Prepaid Expenses and Deposits	52,640	6,190
Mortgages Receivable	733,790	1,269,948
Investments	532,579	506,942
Rental Properties, Furniture and Leaseholds	4,447,802	3,894,716
Deferred Financing Costs	9,943	9,842
Goodwill	251,301	251,240
	<u>11,865,402</u>	<u>9,418,063</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Bank Loans	\$ -	\$ 535,000
Accounts Payable	401,104	465,258
Dividend Payable	-	101,750
Provision for Real Estate Development Costs	1,815,758	1,307,969
Income Taxes Payable	243,000	72,160
Agreements Payable on Real Estate Held for Resale	863,371	424,672
Mortgages Payable on Rental Properties	2,797,578	2,316,822
10% Debentures Payable Series A	1,111,500	588,000
Deferred Income Taxes	698,446	284,813
	<u>7,930,757</u>	<u>6,096,444</u>
Shareholders' Equity		
Share Capital	1,581,183	1,577,673
Retained Earnings	2,353,462	1,743,946
	<u>\$11,865,402</u>	<u>\$9,418,063</u>





## MELTON REAL ESTATE LTD.

BACKGROUND MEMORANDUM FOR FINANCIAL EDITORS AND SECURITIES ANALYSTS

Melton Real Estate Ltd. is an Edmonton-based public company active in the fields of land development, real estate investments, construction and real estate brokerage. Since 1968 when six companies were amalgamated under the Melton name a substantial rate of corporate growth and diversification of interests has been achieved.

From 1969 to the end of 1972 revenues from land development and income properties have increased almost fourfold to \$4 million while fees from real estate brokerage activities have more than doubled to over \$4.8 million. Together with other streams of income this expansion of business has resulted in a yearly average growth rate of 35% in consolidated revenues, 35% in assets and 34% in cash flow over the four-year period. Net income rose an average 38% yearly to \$840,000, or \$0.41 per share, in 1972.

Nine months results to September 30, 1973, indicate a continuation of the upward trend as revenues rose 71% over the year earlier period and net income increased 68% to \$1,075,000, or 51¢ per share. At \$1,650,000, or 81¢ per share, cash flow was 93% higher than in the same period last year.

### Organization

Operations of Melton Real Estate are organized within a structure consisting of a Brokerage Division, an Investment and Construction Division and a Land Development Division. Management of the company's portfolio is conducted in a separate head office department, which is also active in the mortgage brokerage business.

The company's 29 real estate sales offices in the Prairie Provinces and in British Columbia all operate within the Brokerage Division which is headed by a vice-president. He is assisted in each city by a regional manager who directs the activities of individual branch managers. Each branch functions as a separate profit centre for evaluation purposes while centralized accounting, administrative and promotional services are provided by the company's head office in Edmonton.

Activities in which the company acts as a principal are carried out through the Land Development Division and the Investment and Construction Division. These include land purchases for subsequent development or resale, administration of income properties and the supervision of residential and commercial land development projects. Each of these Divisions is headed by a vice-president who directs their respective activities through a general manager. Like the branch offices of the Brokerage Division, each department of these Divisions functions as an individual profit centre.

As an integrated real estate company Melton's policy is to encourage inter-divisional collaboration on land development projects. This approach, with its opportunities for several levels of profit, is however, qualified by the requirement that each operating segment be competitive with outside partners or agents. In this manner all participating departments are compelled to be competitive in their respective fields. This policy further assures that any area of poor performance can be quickly identified rather than be camouflaged within an otherwise successful undertaking.



## OPERATIONS

### Real Estate/Brokerage

Brokerage activities of Melton Real Estate were first organized in Edmonton in 1923 and are now carried out through a network of 389 sales agents at 29 offices in Edmonton, Calgary, Winnipeg, Saskatoon, Regina, Red Deer and Vancouver. Services are provided in the areas of property sales and purchases, appraisals, commercial leasing and property management. A review of the geographic expansion of this sector of operations shows that the company moved into Calgary in 1955, Saskatoon in 1967, Vancouver in 1971 and both Winnipeg and Regina in 1973. The Vancouver and Regina expansions were effected through the acquisitions of A. E. Austin & Co. Ltd. and Dollard & Gallagher Ltd., respectively.

In 1972 the value of real estate agency sales was \$113 million, up 39% from the previous year. Projected sales for the full year 1973 are \$165 million (\$112 million reported for nine months) representing an expected 46% further gain. Company management attributes this rise in volume to several factors, including: the buoyant character of the real estate markets it serves; recent expansions in both numbers of branches and sales personnel; and a high level of effectiveness and professionalism among sales and administrative personnel.

Also instrumental in this performance has been an active guaranteed sales plan which, in 1973, is expected to account for approximately 15% of residential sales. Under Melton's unique plan it will guarantee to purchase a residential property and thereby enable the owner to make a new home purchase, anywhere, without restriction. If the property is resold for more than Melton's cost plus expenses, the excess is rebated to the former owner. Aside from the immediate attraction such a plan offers in acquiring new listings, it also generates opportunities for additional income when a replacement home is sold.

Continued expansion of brokerage activities is planned in western Canada while active consideration is being given to the establishment of a market presence in the east.

### Investment Division

Through its activities in land development, revenue properties, mortgage investments and construction, the Investment Division provides Melton Real Estate with a broader and more stable income base. It further provides a vehicle for the reinvestment of cash flow and the accumulation of (potentially) appreciating land assets.

## Land Development

Melton's Land Development Division is active in the acquisition and servicing of land, primarily for single family lots. In this role it has rapidly evolved into the company's largest profit generator. In approach, the Division operates in a variety of ways including complete land ownership, shared interests and purchase options. Its working parameters are a maximum five-year lead time to development and a projected return on investment of a minimum 30%. During 1972 this department developed a total of 485 residential lots in Edmonton and surrounding communities. Activities were extended in 1973 into Calgary and Kamloops, B.C. and a total of 903 lots were serviced and sold. This growth is reflected in the sharp rise in income of this department from \$2.8 million in 1971 to \$3.5 million (including construction sales of \$494,000) in 1972 and \$5.6 million (including construction sales of \$902,000) in the nine months to September 30, 1973.

Currently Melton holds varying interests or options on a total 3,406 acres in the Edmonton, Calgary and Kamloops areas. The book value of these holdings is \$10 million, while their estimated fair market value is approximately \$17 million. Included in these figures is an option, valued in excess of \$2 million, on a 150-acre Edmonton property scheduled for development in 1975-76.

Based on a progressive development of current holdings and the acquisition of additional interests, the strong profit performance of the land development department is expected to continue at a rapid pace.

### Income Properties

The Real Estate Investment Department is active in the acquisition and development of revenue producing properties, including multi-family residential, commercial and office complexes. Investments in such properties (at cost) have risen from \$1.78 million in 1969 to more than \$4.98 million in 1972 with an attendant rise in rental income from \$246,000 to \$482,000 in the period.

The company's income property portfolio consists of 460 suites in seven residential locations and an aggregate of 192,000 square feet of prime office and commercial space in five locations. All income properties are in Edmonton and surrounding communities.



## Mortgage Department

The mortgage department is involved in securing loans for builders, the placement of conventional first mortgages as agent for a trust company and the administration of the company's own mortgage portfolio. The latter consists mainly of prime second mortgages with a current value of approximately \$800,000.

## Construction Department

The company's residential construction activities started in 1972. In that year 22 single-family middle income units were built, followed by 79 starts in 1973. In the current year 300 starts are planned.

By and large Melton homes are single-family detached units appealing to the middle income market. The price range of its homes in 1973 was \$29,000 — \$40,500, excluding lot. Lot prices were from \$6,000 to \$14,600.

## OUTLOOK

In 1969 Melton initiated a broad expansion of its real estate activities as part of a long-term growth plan. Operations have since been extended to provide the company with an integrated base, capable of sustained corporate development. Current plans call for continued company emphasis on land development and income properties, accompanied by geographic expansion of brokerage activities.

With its base in Edmonton and branch offices throughout western Canada, Melton Real Estate is in a strong position to participate in the intensive economic development forecast for this region. The favourable outlook for the traditional agricultural base of the Prairie Provinces, coupled with the impact of expected multi-billion dollar petroleum developments carry the potential of a very active regional real estate market. Many thousands of jobs, both in new industries and in the service sector, will be created by major tar sands exploration projects and with them

### FIVE-YEAR FINANCIAL SUMMARY

	<u>1973</u> <u>(9 months)</u>	<u>1972</u>	<u>1971</u>	<u>1970</u>	<u>1969</u>
Gross revenue from commissions and fees . . . . .	\$ 5,470	\$4,819	\$3,467	\$2,367	\$2,228
Real estate sales . . . . .	5,695	3,541	2,800	623	853
Rental property income . . . . .	464	482	269	251	246
Interest on agreements receivable . . . . .	112	183	94	52	7
Mortgage interest and discounts . . . . .	74	117	112	130	182
Other income . . . . .	193	231	222	155	247
	<u>12,007</u>	<u>9,373</u>	<u>6,964</u>	<u>3,578</u>	<u>3,763</u>
Commissions . . . . .	3,476	2,926	2,089	1,430	1,392
Cost of real estate sales . . . . .	4,080	2,529	2,178	505	676
Rental property operating expense . . . . .	189	244	102	84	102
Depreciation . . . . .	67	83	29	21	22
Interest . . . . .	310	349	160	133	134
Administrative and other expense . . . . .	1,792	1,638	1,283	900	817
	<u>9,915</u>	<u>7,769</u>	<u>5,841</u>	<u>3,073</u>	<u>3,143</u>
		1,604	1,123	505	620
Income taxes . . . . .	<u>1,017</u>	<u>764</u>	<u>542</u>	<u>236</u>	<u>298</u>
Net income . . . . .	<u>1,075</u>	<u>840</u>	<u>581</u>	<u>269</u>	<u>322</u>
Shares issued — end of year (000's)					
Earnings per share . . . . .	\$ .51	\$ .41	\$ .29	\$ .13	\$ .16
Cash flow per share . . . . .	\$ .81	\$ .55	\$ .49	\$ .16	\$ .23
Dividends per share . . . . .	\$ .07	\$ .06	\$ .05	\$ —	\$ .05



the need for substantial increases in housing, industrial and commercial facilities.

Stimulated by this favourable business outlook, Melton profits are expected to increase at an annual rate comparable to that achieved in the past several years.

## MANAGEMENT

**DIRECTORS** — S. M. Beckhuson, Vice-President, Trans-Canada Joint Mortgages Corporation Ltd.; G. R. Brosseau, B.A., L.L.B., Senior Partner, Brosseau, Maccagno; D. A. Carlson, P.Eng., President, A. V. Carlson Construction Ltd.; W. G. Holmes, C.A., President, Melton Real Estate Ltd.; L. G. Lemieux, Chairman, Gateway Building Supplies Ltd.; Senator E. C. Manning, P.C., C.C., President, M & M Systems

Research Ltd.; T. C. Melton, B. Comm., Vice-President, Melton Real Estate Ltd.; J. R. Sherrin, Company Secretary, Melton Real Estate Ltd.; W. C. Willetts, C.A., Treasurer, Melton Real Estate Ltd., former Senior Partner, Willetts, Macmahon & Company.

**OFFICERS** — President, W. G. Holmes, C.A.; Vice-President, T. C. Melton, B. Comm.; Vice-President, Real Estate Sales Division, W. G. Bennett, F.R.I.; Vice-President, Development Division, P. J. Dailey, B. Comm., M.B.A.; Vice-President, Land Development Division, R. B. Young, P.Eng., M.B.A.; Manager, Real Estate Investments, C. Moroschan, B.Comm.; Manager, Construction Department, T. Smith; Manager, Mortgage Department, D. Holthuysen; Manager, Land Department, J. McCracken; Assistant Secretary & Assistant Treasurer, J. R. Sheard, C.A.

## CAPITALIZATION

(at September 30, 1972)

	Authorized	Outstanding	
Common shares	3,000,000	2,101,403	\$1,665,953
Retained earnings			<u>3,688,947</u>
		Total capital	\$5,354,900
Reserved:			
For exercise of share purchase warrants			606,200 shares
For employee stock options			<u>100,000 shares</u>
			706,200 shares

February, 1974



EDWARD PARKER PUBLIC RELATIONS LIMITED  
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